

**BLACK DIAMOND KING COUNTY FIRE DISTRICT NO. 17**  
**King County, Washington**  
**January 1, 1995 Through December 31, 1995**

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**Schedule Of Findings**

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1. Accounting System Internal Controls Should Be Improved

Our audit of the district identified material internal control weaknesses in the accounting controls and the control structure of King County Fire District No. 17. These weaknesses were reported in our prior audit report.

A total of \$47,563.25 in unprocessed warrants, checks, and cash was retrieved from the former district secretary's residence in February 1996. The checks ranged in dates from August 1992 to January 1996. The majority of the warrants were unmailed disbursements for liabilities owed by the district, primarily payroll taxes. The checks were revenue for contracts performed by the district which were never deposited with King County. Total cash retrieved was \$167.50. This lack of adequate controls over the accounting system violates RCW 43.09.200, which states in part:

The state auditor . . . shall formulate, prescribe, and install a system of accounting and reporting . . . The system shall exhibit true accounts and detailed statements of funds collected, received, and expended . . . The accounts shall show . . . all receipts . . . and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction . . . .

During our audit, we noted the following material weaknesses in the internal accounting control structure:

a. Weak Cash Disbursements Procedures

The former district secretary performed all aspects of the cash disbursements process. She received and opened all mail. From the invoices received, she prepared the "Blanket Voucher Approval Document," which summarized the district liabilities to be paid. That document was approved by the Board of Commissioners and forwarded to King County, where the physical warrants were processed. The warrants were then mailed back to the district where the former district secretary received them, entered them as "paid" in the computer system, and mailed them to the payees. However, between August 1992 and January 1996, 40 warrants totaling \$44,282.85 to vendors, employees, and other governmental entities were not mailed. Instead, they were placed in a desk drawer or box. Any inquiries about delinquent payments would have been answered by the former secretary as well.

Specifically, the unmailed warrants consisted of \$23,109.13 for payroll taxes dating back to August 26, 1994, and \$21,173.72 in vendor and other expenditures dating back to December 15, 1993.

In addition, accounts payable transactions were recorded within the computer system as being paid. In actuality, while the account had been "posted" to indicate payment and an individual "voucher document" had been prepared, the warrant was never mailed to the payee. Consequently, the district's computer system did not accurately reflect the financial position of the district.

The lack of a system of internal controls related to disbursements does not provide reasonable assurance material errors or irregularities are not occurring or being detected by management in a timely manner.

The former district secretary stated she had no formal job description and did not have clearly defined job responsibilities. Further, she stated she did not fully understand how to prepare or file payroll tax related information. It appears the former fire chief and other district officials failed to perform any type of review on the work performed by the secretary. As a result of the lack of segregation of duties and supervisory review, warrants were prepared but never mailed.

Current district officials have been actively working with the various governmental entities to straighten out the payroll tax related issues. District officials have also been working with King County to void old warrants and reissue them to the applicable vendors.

b. Untimely Deposits and Weak Cash Receipting Procedures

During our audit of the district's deposits, we noted funds were not being transmitted to King County in a timely manner. Of the 38 checks received for contracts for services between January 1993 and December 1995, 13 were received by King County 60 or more days after receipt by the district. Four were received over 6 months after receipt by the district. However, all contract for services amounts have been accounted for.

The district also receives donations in the form of cash or checks. For the period under audit, the district did not consistently issue cash receipts, nor maintain adequate supporting documentation for cash received. Without using prenumbered receipts, it is impossible to establish if all district cash collections were properly deposited.

The Washington State Constitution, Article XI, Section 15, states:

All moneys, assessments and taxes belonging to or collected for the use of any county, city, town, or other public or municipal corporation, coming into the hands of any officer thereof, shall immediately be deposited with the treasurer, or other legal depository to the credit of such city, town or other corporation respectively, for the benefit of the funds to which they belong.

RCW 43.09.240 states in part:

Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit such moneys collected or received by him with the treasurer of the taxing district once every twenty-four consecutive hours. The treasurer may in his or her discretion

grant an exception where such daily transfers would not be administratively practical or feasible.

In addition, of the \$47,563.25 retrieved from the former district secretary's residence, \$3,280.40 were checks made out to the district, either for contracts for services or as donations. Several of the checks dated back to July 1992. These checks were never deposited with King County.

The district's failure to deposit moneys received in a timely manner results in a risk that errors or irregularities could occur and not be detected in a timely manner, as is exemplified by the undeposited funds noted above. In addition, the district lost the interest on funds for the time periods when the funds were not on deposit with the county treasurer.

Indications from current district officials are that funds are now being deposited in a timely manner.

During our prior audit, we informed former district officials of proper internal control procedures and legal requirements for cash handling and depositing. Failure to follow these guidelines unnecessarily exposes the district to the risk of loss. Taken together, the conditions described above indicate significant and pervasive cash control problems. Therefore, we were unable to satisfy ourselves that all of the district's receipts were completely and accurately recorded and deposited.

We recommend district officials transmit all funds to the county treasurer in a timely manner.

We further recommend district officials take action to correct the above weaknesses and strengthen internal controls.

We further recommend district officials establish formal job descriptions delineating duties for the district secretary and the fire chief.

2. All Investments Should Be Made Through The County Treasurer

As of April 1996, King County Fire District No. 17 had at least four certificates of deposit for investment purposes with Key Bank.

RCW 52.16.010 states in part:

It is the duty of the county treasurer . . . to receive and disburse (fire) district revenues, to collect taxes and assessments authorized and levied under this title, and to credit district revenues to the proper fund.

RCW 36.29.010 (8) allows for:

The county treasurer shall invest all funds of the county or any special district in the treasurer's custody, not needed for immediate expenditure, in a manner consistent with appropriate statutes . . . .

RCW 36.29.020 allows for:

Any municipal corporation may by action of its governing body authorize any of its funds which are not required for immediate expenditure, and which are in the custody of the county treasurer or other municipal corporation treasurer, to be invested by such treasurer.

The Washington State Constitution, Article XI, Section 15, states:

All moneys, assessments and taxes belonging to or collected for the use of any county, city, town, or other public or municipal corporation, coming into the hands of any officer thereof, shall immediately be deposited with the treasurer, or other legal depository to the credit of such city, town or other corporation respectively, for the benefit of the funds to which they belong.

These investments were made by prior district management. Current district management was unaware they were not allowed to make their own investments. Upon being informed of the compliance issue involved, they have subsequently taken steps to close these accounts and deposit the funds with the King County treasurer.

We recommend district officials continue to deposit funds with the county treasurer and make all future investments through the county treasurer as well.